

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WARREN COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts has completed the Warren County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Warren County Sheriff had total receipts of \$3,750,253, which was a \$689,476 increase from the prior year. Except for reimbursed expenses in the amount of \$221,106 and fiscal court contributions of \$1,627,946, the sheriff paid 25% of receipts to the Warren County Fiscal Court in the amount of \$290,339. This was a decrease of \$42,215 from the prior year. In addition, disbursements increased by \$30,056.

Debt Obligations:

The office of the Warren County Sheriff was committed to a lease agreement for a 2002 Toyota 4-Runner. The remaining balance of the agreement was \$6,151 as of December 31, 2004.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Sheriff of Warren County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2004. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2006 on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Warren County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 15, 2006

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Grants		\$	158,367
State Fees for Services			539,419
Circuit Court Clerk			4,819
Fiscal Court			1,627,946
County Clerk			3,694
Commission on Taxes			985,669
Fees Collected for Services:			
Auto Inspections	\$	42,605	
Accident and Police Reports		6,640	
Serving Papers		177,120	
Carrying Concealed Deadly Weapon Permits		24,270	
Sheriff's Advertising Fees		12,787	
Sheriff's Add On Fees		77,327	
House Bill 413-Court Cost Fees		10,363	351,112
Other Revenues:			
Transporting Prisoners	\$	1,474	
Payroll Reimbursements		46,254	
Expense Reimbursements		22,141	
Refunds		283	
Interest Earned		3,518	
Miscellaneous		5,557	79,227
Total Revenues		\$	3,750,253

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$ 16,230
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Other Expenditures:

County Collections	\$ 59,600	
Transporting Prisoners Reimbursement	15,110	
KLEFPF Reimbursement	4,360	
Bank Charge	1	
Payroll Reimbursements	46,254	
Other Reimbursements	22,150	147,475

Total Expenditures	163,705
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Net Revenues	\$ 3,586,548
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Payments to State Treasurer:

75% Operating Fund	\$ 3,296,206	
25% County Fund	290,339	3,586,545

Balance Due at Completion of Audit	\$ 3
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WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2004

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2004	\$ (561,514)	\$	\$ (561,514)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	3,296,206		3,296,206
Fees Paid to State - County Funds (25%)		290,339	290,339
Total Funds Available	2,734,692	290,339	3,025,031
<u>Expenditures</u>			
Personnel Services-			
Official Statutory Maximum	\$ 88,150		\$ 88,150
Official Training Incentive	3,093		3,093
Deputies' Salaries	1,918,072		1,918,072
Overtime Gross	241,747		241,747
Employee Benefits-			
Employer's Share Social Security	159,165		159,165
Employer's Share Retirement	367,793		367,793
Employer's Paid Health Insurance	156,564		156,564
Other Payroll Disbursements	13,440		13,440
Contracted Services-			
Advertising	14,969		14,969
Materials and Supplies-			
Office Supplies	23,009		23,009
Animal Control Supplies	8,283		8,283
Other Charges-			
Conventions and Travel	1,787		1,787
Dues and Subscriptions	550		550
Postage	18,045		18,045
Bonds	3,654		3,654
Computer Programming and Support	167,591		167,591
Law Enforcement	71,573		71,573

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

	Operating Fund	County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Radios Maintenance and Repairs	\$ 6,605	\$	\$ 6,605
Telephone/Fax/Cellular	50,158		50,158
Special Forces Operations	20,138		20,138
Firearm Certification and Training	8,772		8,772
Uniforms	23,857		23,857
Training	21,922		21,922
Auto Expenses-			
Gasoline	77,654		77,654
Maintenance and Repairs	76,122		76,122
Insurance			
Capital Outlay-			
Equipment	39,862		39,862
Special Forces Equipment	14,719		14,719
Debt Service-			
Lease Agreement	5,115		5,115
Payments to County Treasurer		290,339	290,339
Total Expenditures	3,602,409	290,339	3,892,748
Fund Balance - December 31, 2004	\$ (867,717)	\$ 0	\$ (867,717)

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
JERRY "PEANUTS" GAINES, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

WARREN COUNTY
JERRY "PEANUTS" GAINES, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, COUNTY SHERIFF
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004
 (Continued)

Note 3. Deposits (Continued)

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	<u>1,711,763</u>
Total	<u>\$ 1,811,763</u>

Note 4. Lease

The office of the Warren County Sheriff was committed to a lease agreement with Gary Force Toyota for a 2002 Toyota 4 Runner. The agreement requires a monthly payment of \$451 for 38 months, with an additional final payment of \$300 if the vehicle is not purchased. The payments are to be completed on, January 27, 2006. The total remaining balance of the agreement was \$6,151 as of December 31, 2004.

Note 5. Fund Balance

The office of the Warren County Sheriff had a beginning deficit fund balance of -\$561,514. The fund balance was -\$867,717 as of December 31, 2004. The deficit is required to be paid in full at the end of the Sheriff term.

Note 6. Public Seized Funds Account

The Warren County Sheriff maintains an official bank account for monies obtained from seizures and sale of property used in illegal drug activities. The purpose of this account is to purchase necessary equipment for operating the Sheriff's office. The beginning balance as of January 1, 2004 was \$3,772. Receipts for calendar year 2004 were \$2,771 and expenditures were \$3,317. The balance of the public seized funds account as of December 31, 2004 was \$3,226.

Note 7. Reimbursed Expenses

The amount deposited to the County's Sheriff's Operating Fund (75%) with the state treasurer included reimbursed expenses. These reimbursed expenses include payments from the state and county. The following were reimbursed expenses, which are credited 100% to the Sheriff's Operating Fund.

<u>Category</u>	<u>Amount</u>
Fiscal Court Assistance	\$ 1,627,946
Kentucky Law Enforcement Grant	152,711
Payroll Reimbursements	46,254
Expense Reimbursements	22,141
100% Fees	<u>644,531</u>
Total 100% Fees	<u>\$ 2,493,583</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Warren County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated March 15, 2006. The County Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements for the year ended December 31, 2004, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 15, 2006

